

Attachment E

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Issue 1193-96: We conclude that the price cap LECs' allocation of USF contributions among the common line, interexchange, and trunking baskets warrant further review. . .

These two methodologies allocate different amounts of the universal service fund obligation to individual price cap baskets for any given price cap LEC . . .

In order to assess the merits of each of the two methodologies, we require all LECs to submit explanations detailing why the methodologies each has used more accurately reflects the distribution of interstate end user revenues across baskets. As part of this explanation each price cap LEC must explain in detail the methodology it uses and any assumptions it makes to determine these allocations. Price cap LECs must report the interstate end user revenues they derived from each basket during the accounting period they used to calculate their universal service contribution. If the portions of the USF contributions that LECs allocate for recovery from the common line, trunking and interexchange baskets differ from the proportions of the total interstate end-user revenues they report for these baskets, they must explain the reason for this difference. In addition, we seek comment on whether there are any other methodologies superior to the two used by the price cap LECs. We also seek comment on whether we should require all price cap LECs to use the same methodology and, if so, which methodology we should adopt.

Ameritech's allocation to the trunking basket . . . is derived from data . . . that reports trunking basket interstate end-user revenues of \$1.2 Million . . . Ameritech, however, has provided company records that show interstate end-user revenues generated within the trunking basket of \$67.7 Million. . . We require Ameritech to explain in detail in its direct case the reason for this difference.

Response: Ameritech used a two-step procedure to allocate its universal service fund obligation to the price cap bands. The first step in the allocation of the exogenous amount to the different baskets was to develop a percentage of appropriate revenues by basket. Ameritech used the same end user revenues that were used to compute USF contribution amounts in FCC Form 457 to develop these percentages and then mapped the revenues to the price cap baskets as follows:

<u>Basket</u>	<u>Interstate Revenue</u>	<u>Form 457 Line(s)</u>
Common Line	Subscriber Line	35
Interexchange	Toll & Long Distance	43,44,45,47
Trunking	Other Local Service	38

Other Local Service revenues were used to allocate the USF exogenous amounts to the Trunking basket. This number represents the amount of FCC Form 457 interstate end user revenue not attributable to either Common Line or Interexchange, based on the instructions for FCC Form 457. This method is appropriate for allocating the USF exogenous amounts by basket since it utilizes the same revenues for allocation as were utilized for computing Ameritech's total USF obligation. Basically, the method allocates the USF obligation back to the baskets in a manner that mirrors the proportion of that obligation "caused" by each basket.

The second stage of the allocation process took the USF exogenous amount allocated to the Trunking basket and split it among the service bands. Ameritech based this allocation on revenues that result from direct billing of special access to end users. These annual 1996 revenues (\$67.7M) were divided according to the type of service (e.g., LT-1, audio) and are displayed in Revised Exhibit 4 that accompanied Ameritech's Transmittal No. 1136. In comparison, total interstate special access revenues are identified in the TRP as the sum of lines 180, 190, and 200 of RTE-1 in the amount of \$483.4M. These revenues include not only revenues that result from direct billing of special access to end users, but also

special access revenues from interexchange carriers, resellers, cellular providers, wireless providers, and other local exchange companies.

While the \$67.7M revenue is appropriate to allocate USF trunking exogenous amounts to the service bands within the trunking basket, it is not appropriate for allocating the USF exogenous amount to the trunking basket in the first instance. Instead, the revenues used for the initial allocation to the trunking basket should be consistent with the revenues used to determine Ameritech's universal service obligation -- *i.e.*, revenues included in FCC Form 457.

CERTIFICATE OF SERVICE

I, Todd H. Bond, do hereby certify that a copy of the foregoing Opposition of Ameritech has been served on the parties listed on the attached service list, via first class mail, postage prepaid, on this 18th day of March, 1998.

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